GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:3191
ANSWERED ON:12.05.2006
POLICY ON MEGA POWER PROJECTS
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Will the Minister of POWER be pleased to state:

(a) whether under the Mega Power Policy, promoters of power projects are offered tax sops in the form of exemption of customs duties, if they meet certain criteria in terms of capacity and inter-state sale;

(b) if so, the details thereof;

(c) whether the Planning Commission in its report has called for a removal of such `misplaced incentives`;

(d) if so, the reasons therefor; and

(e) the steps being taken to implement and revise the mega policy of power projects?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) & (b) :
(i) The Mega Power Policy of November, 1995 provided for designating the projects of capacity of 1000 MW and more for thermal projects and 500 MW and more for hydro electric projects and catering power to more than one State as mega projects. No fiscal concessions were proposed under the original policy of 1995.

(ii) The Revised Mega Power Policy (November, 1998) envisaged import of capital equipment for Mega Power Projects was to be free of customs duty. Price preference of 15% would be given for projects under the public sector to protect the interests of domestic bidders, deemed export benefits as per the EXIM Policy to be given to domestic bidders for projects both under public and private sector and continuing the income tax holiday regime with the provision that the tax holiday period of 10 years could be claimed by a promoter in any block of 10 years, within the first 15 years.

(iii) In the budget for 2003-04, the Ministry of Finance further liberalized the policy to include any project which meets the basic criterion of inter-state sale of power and minimum threshold capacity mega power policy conditions to be eligible for the concessions. The enabling notification has been issued by the Ministry of Finance (Department of Revenue) on 1.3.2003.

(iv) At present, the following conditions are required to be fulfilled for grant of mega project status:- The project should be inter-state; - It should have minimum threshold capacity of 1000 MW for thermal and 500 MW for hydro electric projects. The minimum qualifying capacity for thermal power plants to qualify for mega benefits has been reduced from 1000 MW to 700 MW and for hydel projects, from 500 MW to 350 MW in the case of States of J&K and the 7 States of North East & Sikkim. The power purchasing State has constituted the Regulatory Commission with full powers to fix tariffs; - The power purchasing States undertake, in principle, to privatize distribution in all cities, in that State, each of which has a population of more than one million, within a period to be fixed by the Ministry of Power.

(c) : Planning Commission has informed that they have not made any criticism in any official document on Mega Power Project.

(d) & (e): Do not arise.